Chapter 5

Welfare State Transformations in Central and Eastern Europe\textsuperscript{1}

Martin Potůček

1. Macro-Social Transformation (societal changes)

1\textsuperscript{-I. Theories}

Most of the Welfare State theorizing has been limited to its relatively stable political and economic environment in more or less affluent and open democracies. These conditions have not been met in the flow of sudden economic, political, and social changes associated with the collapse of Communism and the (re)establishment of capitalism in Central and Eastern Europe (CEE). Welfare State theories prove to be rather toothless when facing these unprecedented processes. In order to better understand and interpret the developments in the region since 1989, one must refer to macro-social theories.

Several concepts seem to be relevant, namely Wallerstein’s modernization concept, and the conceptualization of the regulatory interplay between the state, market, and civic sector.

Wallerstein views both the capitalist and the communist systems as two different reactions to one and the same challenge of industrial modernization. Both systems tried to cope with societal and economic pressures. Capitalism doubtlessly proved to be the more efficient and successful system of the two. What is important, though, is the striking

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isomorphism in their construction of public social services that replaces the more traditional forms of family / tribal / guild / church / municipal care for people in need (Frič and Potůček 2004).

The substantial reconfiguration of regulatory powers of the state, the market and the civic sector has been another crucial aspect of post-communist development. Actors operate in the thick set of conditions set up by these three regulators: it is, namely, their interplay that creates space for pursuing their goals. As the communist party/state of the past vanes out, new forms of regulation had to be established instead – both within the commercial and nonprofit sector, and within the post-communist state as well (Potůček 1999). One of the crucial options here has been conceptualized around the end of WW2 by conflicting theories of Polanyi and Schumpeter: “These approaches contrast the view that capitalism develops through a chaotic and fitful process of creative destruction, led by entrepreneurial risk takers, who require minimal interference from government and other social institutions to be able to pursue innovations and invest resources where they can best be used (Schumpeter), with an alternative: the view that free market systems may create rapid growth, but in doing so destroy the human and social fabric on which they depend, and that economic institutions must be embedded in a social and cultural framework in order to operate in a way that promotes human welfare. The implication is that state welfare is essential to sustain that framework that civilizes the market (Polanyi)” (Taylor-Gooby 2003).

1-2. Communist System of Welfare

Before the political breakthrough of 1989, totalitarian political systems and centrally planned economies were the shared features of all Central and Eastern European countries (with the notable exception of the former Yugoslavia). Importantly, social welfare arrangements represented an important source of regime legitimization.

Social policy was also highly centralized and run by the Communist Party/State; the power centre had the possibility to reallocate state budget resources between the accumulation, public provisions, and individual consumption; at the same time, there were no ways of influencing political decision-making processes from below. The state was the dominant, and mostly exclusive, financer and provider of public ser-
services. Nevertheless, the apparatchiks did realize the relevance of social welfare in sustaining political support of the masses for the regime, and of enhancing the quality of life of the working classes, and equal access to services was the part of the ruling ideology. Full employment was guaranteed (as was also the obligation to work). People were granted social security in old age, illness and disability as well as free access to health care and education. The communist system of welfare was the instrument of a specific method of modernizing societies, and as such, it proved its capacity to eradicate illiteracy, diminish poverty, create high employment levels (including female labor force) and contribute to the development of human capital. In reality, there were three principles of socialist welfare developed and applied in various combinations over time: the association of access to social services to work performance, general commitment to equality, and special treatment for the privileged.

Fajth (1999, quoted in Aidukaite 2004: 35) has highlighted that before the collapse of the socialist regime the social security system of Central and Eastern European countries in many ways resembled that of the developed world and their social security efforts broadly fitted with those of the developed market economies. The accessibility and quality of services were adversely impacted also by dwindling economic resources and ineffective management structures.

Titmuss (1974) and Wilensky (1975) did not hesitate to call such a system the Welfare State. Titmuss associated it with the industrial achievement–performance model, whereas Wilensky called it totalitarian (Aidukaite 2004). Deacon (1993) calls such social policies state bureaucratic collectivism (work and privilege), and associates it with the European conservative tradition. Horibayashi (2006: 2) pointed out, that “the communist welfare system also had common features with the social democratic regime because it brought a high degree of decommodification and female participation in the workforce.”

1-3. Contextual Change of Economy, Polity and Society

The traditional way of thinking about the welfare state takes into account the contextual variables – changing lifestyles, shifts in the composition of power elites, emerging new risks such as population aging or migration, etc. If relatively stabilized societies are scrutinized, this
approach could be justified. Obviously, this is not the case of the post-communist transformation. What has emerged after the abrupt demise of Communism was a set of gigantic societal experiments with no parallel in human history (with the exception of wars). We have seen regimes collapse, states break apart, rapid political democratization, the institutionalization of the market economy associated with massive privatization, and changing external relations of the old and newborn state entities take place at the same time. There were no sufficient theoretical explanations at hand: it has been (and still is) very difficult to analytically grasp, better understand and interpret all these phenomena in their mutual interdependences. The transformation of the post-communist welfare states is part and parcel of this development, and can be well studied only in this context.

Dahrendorf offered a brilliant hyperbole about the potential tensions created by the varying speeds of parallel changes in Central and Eastern Europe after 1989: the transformation of political institutions may take six months, the economic framework six years, but social texture (attitudes, beliefs, and values) up to sixty years!

The most relevant cross-cutting structural change that influenced the nature and functioning of the Welfare State was the shift from the command to capitalist economy. This change alone induced pressure to the management, financing, as well as operational modes of public services.

Publicity and democratization led to pluralization in priority setting and decision making, and, with some delay, to reforms of structures and the modus operandi of public administration. The natural partner of public administration of traditional welfare democracies, the nonprofit sector, could not contribute much as it lacked the necessary skills and capacities. The old bureaucrats did not trust it and it took a lot of time to develop an effective partnership between the public and the nonprofit sectors in social welfare delivery.

The third profound change was associated with emerging new social risks that were not covered by the old welfare services: fast changes in demand for labor force due to structural changes of the economy; unemployment, homelessness, massive increases in poverty, migration, and human trafficking, to name but the most serious cases.
The cognitive effort to understand what is happening (and what should be done) was associated with the cognitive discrepancy between the local and international analysts. The former did understand cultural and historical context of their societies but not the welfare state practices and institutions developed in the West in the meantime; for most of the latter the opposite was true. The first ten years of welfare transformation were thus tempered by many ineffective and counterproductive policies, some of them of irreversible nature.

A very important contextual element of the reform paths of Central and Eastern European Welfare States can be associated with ideological discourse. The proponents of residual principles in welfare delivery associated the ideal of equality and managerial and redistributive functions of the welfare state with the discredited communist past, whereas marketization of social services was declared the inherent feature of capitalism. Even the very term social policy was attacked as an attempt to bring back communism. Thus, defenders of universalism in social welfare delivery lived through very hard times due to both the neoliberal ideological “zeitgeist” and the shrinking capacities of public facilities and budgets. Conservative social doctrines, emphasizing the principle of subsidiarity and the role of the family, church, and civic associations, were less influential than the first two ideological streams.

1-4. Globalization and Global Actors

The major change after the 1989 revolutions was the opening of the region to the outer world of goods, technology, information, and knowledge. The national economies started to integrate in the world economy; the borders opened and enabled free exchange of people and ideas. This facet of globalization has had an enormous but mostly positive and enduring impact on the whole region.

However, this change coincided with the “Washington Consensus” neoliberal orthodoxy of the early 1990s, pursued especially by international organizations such as the World Bank and the International Monetary Fund. As documented by Deacon (1997; 2000), Ferge (2001), Orenstein and Haas (2003) and others, these international players used their strong negotiating positions towards some indebted national governments and their inefficient national economies to pursue their scheme
of welfare reform in the region. Their attention focused mainly on the privatization of national public old-age pension schemes, residual solutions in the delivery of social welfare, and market-compatible changes in health care and education. Deacon and Orenstein see the World Bank as the major agenda-setting actor of economic and social policy-making in the region.

The question open to further study are the reasons why these global players were less successful in some countries. Comparing the EU candidate countries/New Member States with the ex-Soviet Republics (apart from the Baltic States), Orenstein believes in the preventative influence of the European Union. Other authors stress domestic political factors, public opinion resistance, as well as country-specific historical and cultural determinants (Aidukaite 2004, Potůček 2004). All in all, Central and Eastern Europe’s transformation offered a definitely more fertile soil for welfare reforms compared to the more ossified Western European Welfare States.

1-5. European Union

There is agreement in literature about the relevance of the countries’ candidacy and later membership in the European Union for their social welfare transformations. At the same time, most authors see the EU’s role in social policy shaping as considerably weak. Orenstein and Haas (2003) estimate its influence as strong enough to prevent the overall deterioration of people’s welfare – especially when comparing the social situation in the New Member States with countries from the region staying aside (mostly ex-Soviet republics). Lendvai (2004) and (2006) summarizes the findings of several other authors and speak about the weak social dimension of the European accession and enlargement and that economic issues have had clear primacy over social issues. Sengoku (2006: 239n) is more specific about its structural causes:

(1) The EU has not required specific conditions or “hard laws” as to the social policy of accession countries;

(2) There are few specific mechanisms that could be used by the European Commission to enforce the CEE countries to adopt the European standard of social policies;
(3) The EU has no “model” or “template” concerning the welfare system of the candidate countries.

What about the European Social Model (ESM)? Jepsen and Serrano (2006) identify two ways of understanding it – first as a historical acquis, characterized by specific common institutions, values and outcomes, second as a European political project aiming to solve shared problems and working towards a distinctive trans-national model, including common goals, rules, standards, and a certain degree of trans-national cohesion. Goetschy (2006) shows that not even a minimalist coherent European Social Model is enshrined in the Community social provisions. Keune (2006) concludes: “From neither perspective does the ESM emerge as a particularly well-defined concept or model. From the historical acquis perspective, it can quite easily incorporate a group of eight countries with a rather different history because the diversity covered by ESM is already very wide. From the political project perspective, it does not place any particularly great demands on new members.”

This fuzzy definition is further weakened by the “Janus face” of the European Union as a political body. There are two political positions prevailing in EU policy making: one that understands the European project as essentially de-regulatory, and another that sees the market as the first step in the process of institution-building and the European level (Taylor-Gooby 2004a: 184). “Pressures for both liberalism and for a stronger interventionist role exist, and whether the balance between the two will shift in the future is at present unclear.” (Taylor-Gooby undated: 12) The same author associates this schism with the names of Polanyi and Schumpeter (undated).

The history of systematic preparation of the candidate countries for accession started with the launching of the Copenhagen Criteria of Accession (1993). These criteria have been designed more as a technical (economic and political) instrument from above than as an appropriate tool to steer the peoples’ living conditions in the candidate countries, and legal, economic and political issues prevailed. The candidate countries were asked to reform their national economies to be able to compete – and be compatible – with the market economies of the present Member States. They were required to build robust and reliable institutions of po-
itical democracy. They were told to adjust their legal and administrative systems to acquis communautaire. The fast progress in both the economic and political adjustment to these requirements has been astonishing and deserves high evaluation. Nevertheless, genuine social goals were at the very bottom of the list of priorities, being limited to the preservation of individual human rights and the building of a loosely defined framework for social policy making. “Indeed, of the 29 thematic chapters that made up the regular reports that yearly reviewed the ‘progress’ made by the then candidate countries in their preparation for accession, and only one chapter dealt with employment and social policy...” (Keune 2006: 18) The containment or reduction of poverty and income inequalities, labor rights, a living wage and the alleviation of the fate of the marginalized groups, in other words the fight against social exclusion, did not form an integral part of the Copenhagen criteria reform agendas. Most of the national social policies in the candidate countries at the beginning and the middle of the 1990s consisted of the withdrawal of the state and the improvement of efficiency by the privatization and marketization of the services. These steps were to be completed by the reduction of the coverage and standards of all social benefits except social assistance, a well-targeted safety net for the poor. (Ferge 2001)

The European Council launched the economic nucleus of the Lisbon Strategy in March 2000, and enriched it by its social dimension at Nice in December the same year. Soon afterwards, the environmental dimension followed suit (Gothenburg Summit, June 2001). It was a stream of new political initiatives, stressing the importance of human resources, quality of life, social cohesion, in short, the “social fabric” of contemporary societies. The candidate countries were asked to take part in the Lisbon Strategy negotiations only after the 2002 Barcelona Summit, when the preparation of the New Member States to enter the EU – until then organized under the logic of the Copenhagen Criteria – had only just been completed. The fully fledged participation in the Lisbon Strategy started only with those countries’ accession to the EU in May 2004. Thus, social policy moved to the top of the EU political agenda of enlargement as late as a decade after setting up the Copenhagen Criteria of Accession.

The absence of direct EU influence on welfare state transformation should not obfuscate the less visible streams of cultural changes
associated with the processes of European integration, which influenced
domestic discourses on social policy making, set up new notions, agen-
das, approaches, and policy instruments. Call it mutual learning, cogni-
tive Europeanization or enculturation; it has been changing the cognitive
framework of social policy making. This process will have a long lasting
(albeit difficult to identify) impact on welfare state transformation in all
CEE countries.

2. Theories of Welfare State Transformation

A conceptual framework for better understanding and explaining
the welfare state transformation in Central and Eastern Europe would not
be complete without consideration of more traditional “middle range”
theories, developed and applied for the sake of more stable Western de-
mocracies. Let us mention the most influential among them and try to
grasp the level of their applicability in our specific field of study.

2-1. Party/Government Theories

The early stages of development of multi-party political systems in
the region were linked with unstable structures of political parties, their
fluid programs, and frequent changes in the composition of ruling coal-
tions. Minority governments were no exception, either. As the living
conditions and social structures of the electorate were changing as well,
there was little evidence of clearcut clusters of particular social strata,
social and economic interests, and corresponding political parties. There
were actually examples of austerity measures taken by center-left gov-
ernments (Hungary and Poland in the middle of the 1990s) and cautious
social policies of liberal parties (the Czech Republic in the same time);
in these cases a different fiscal situation might be the better explaining
independent variable. As the situation was getting more transparent and
stabilized in terms of different interests, policies, and ideologies in the
beginning of the 21st century, and the electorate was given the chance to
learn by doing, the political programs and political parties’ ideological
orientations started to be a slightly better predictor of actually executed
policies.
2-2. Power Resources Theories

These theories stem from the assumption that social interests could promote policies which will best serve their interests. As most social interests were exposed to serious changes, it has been more difficult, as in the case of political parties, for these interests to emerge as an influential factor in distributive conflicts. In addition, there was an overwhelming demand to get rid of the old communist system that, at least in the first months and years of transformation, pushed objectively different interest groups into unified camps. Once again, ongoing differentiation of interests soon broke these camps apart, and traditional interest block emerged: trade unions, business associations, and professionals. With some delay, client organizations and advocacy groups became more active in the public sphere as well. Olson’s theory, contra positioning strong and well-organized partial interests with diffused general interests, finds its match in post-communist reality as well.

2-3. Institutionalism, State Centric Theories

Institutions matter in human affairs, and states definitely matter in welfare state transformations. The state-centric approach “claims that the state bureaucracy and political elite are central actors in the policy formation process and they make a significant impact on the development and the introduction of welfare programs.” (Aidukaite 2004: 29) An appropriate bureaucratic capacity, and clearcut goals and implementation strategies represent the necessary prerequisite of any policy change. And the other way round, the lack of social welfare provisions can be attributed to failing states, or failing/inappropriate specialized bureaucratic organs. Theorists differ in their estimates of social policy-making capacities of Central and Eastern European states. Bruszt (2000) defends the hypothesis of generally “weak states” in the region, unable to uphold general rights, to effectively regulate, and to resist the pressure of their own capturing by strong private (also international) interest groups. Orenstein and Haas (2003: 1, 7, 13) see, on the other hand, a high degree of freedom of national policy elites (sometime even small groups of policymakers) to set transitional social policies especially during the first years of transformation.
2-4. The Role of Behavioral Stereotypes and Attitudes of the Public

Even the totalitarian system had to pay attention to what people think and want, the more so in the democratic settings. People expect a well functioning welfare state, they appreciate social welfare, and their experience with social services is an important source of legitimacy of the political system. In democracy, the welfare state is the functional part of an “unwritten social contract” (Dahrendorf) between the political/bureaucratic elite and the public, a prime source of consensus in any society (Titmuss 1974, Wilensky 1975). Empirical findings confirm that this thesis is valid both in welfare capitalist societies (Rose 1989) as well as in post-communist ones. (Taylor-Gooby 2004b)

2-5. The Role of Individual Actors

History may offer an individual an opportunity to induce a durable policy change that could influence the life of millions in decades to come. As it is difficult to see any regularity in the occurrence of such situations, I can only offer two cases from the region.

A dissident activist during the Communist era and one of the leading figures of the Solidarity movement, Jacek Kuroń became the Polish Minister of Labor in the first reform government. His generous pension policies, aiming at relief to people stressed by the marketization of labor, did not take into account the long-term consequences of such measures and created a chronic huge deficit of the public budget. He admitted afterwards that he was ignorant of Polish social welfare arrangements and had made a serious mistake.

Comparing the diverging paths of once united Czech and Slovak social policies after the split of Czechoslovakia, our Czech-Slovak research team was not able to solve the puzzle of etatist social policies produced by the liberal Klaus government in the Czech Republic, and decentralized and more pluralistic social policy arrangements under Mečiár’s authoritarian government in Slovakia in the mid 1990s. (Potůček and Radičová 1997) But having finalized our research report we were told a story that explained this difference: The Slovak Deputy Minister of Labor and Social Affairs, Vojtech Tkáč, indoctrinated during his service for the social-liberal federal Czechoslovak government in the early 1990s, had persuaded Slovakia’s Minister of Labor and Social Affairs Ol’ga
Keltošová, one of the favourite advisers of Prime Minister Vladimír Mečiar, that the creation of an independent self-regulating public body – the Social Insurance Fund – would be the best option for Slovakia. The Czech Prime Minister Václav Klaus (former Czechoslovak Minister of Finance), on the other hand, opposed all attempts to cut the great deal of the state budget, allocated to cover public pensions, out of the direct control of the newly-born Czech state...

2-6. The Role of Individual Actors

The last theoretical approach to be mentioned attempts to identify the role of the Welfare State in the overall societal reproduction/development. On the one hand, it consumes resources that might be invested elsewhere; on the other hand, it cannot be replaced in its functions aiming at reproduction and development of human capital of a society. This holds true of education, family support, health care, labor market services etc. These services may be interpreted as long-term social investments. The situation is rather “complicated” by the fact that the Welfare State serves humanitarian purposes not associated with future production as well: care for the elderly, disabled, terminally ill, social care etc.

3. Central and Eastern European Welfare States

This part of the paper concentrates on the Welfare State developments in the Central and Eastern European countries that became EU Member States in May 2004, i.e. the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. This comparison is based more on data sets than on behavioral and institutional analysis and has to serve as the first evidence-based approximation for a more thorough comparative analysis.

Due to both their historical legacy and recent developmental trends, all these countries may fall into the category of semi-periphery in the stream of modernization (Wallerstein 1974, 1979, 1980; Potůček et al. 2002).

The post-1989 transformation brought about social changes that have considerably influenced everyday life and consciousness of the population of the New Member States. I would like to focus on the most
relevant ones: the incidence of unemployment and poverty, social inequalities, health status, marginalized ethnic groups, and the quality and accessibility of health and social services.

3-1. Employment and Unemployment

The general tendency in the region has been the steadily declining number of employed people and the rising number of the unemployed.

Table 1. Employment Activity Rate, Percent of the 15-64 Years Old Population

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<tbody>
<tr>
<td>EU 15</td>
<td>N/A</td>
<td>60</td>
<td>65</td>
<td>Poland</td>
<td>69</td>
<td>69</td>
<td>53</td>
</tr>
<tr>
<td>Slovenia</td>
<td>74</td>
<td>65</td>
<td>66</td>
<td>Estonia</td>
<td>76</td>
<td>67</td>
<td>64</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>79</td>
<td>74</td>
<td>65</td>
<td>Lithuania</td>
<td>75</td>
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<td>63</td>
</tr>
<tr>
<td>Slovakia</td>
<td>74</td>
<td>70</td>
<td>58</td>
<td>Latvia</td>
<td>79</td>
<td>75</td>
<td>63</td>
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<tr>
<td>Hungary</td>
<td>79</td>
<td>65</td>
<td>57</td>
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The centrally planned economies created an artificial demand for inflating labor force. Thus, unemployment was a virtually unknown phenomenon in the region prior to 1989. However, more than a decade of transition has brought about a sharp increase of unemployment – indeed from next to zero to two-digit rates in some countries. By the end of the 20th century, the unemployment rates stabilized at levels around the EU 15 average, with the important exception of Poland and Slovakia, which report much higher unemployment rates.

Table 2. Unemployment Rate, New Member States

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<tbody>
<tr>
<td>EU 15</td>
<td>7.7</td>
<td>7.9</td>
<td>Poland</td>
<td>16.1</td>
<td>17.7</td>
</tr>
<tr>
<td>Slovenia</td>
<td>6.7</td>
<td>6.5</td>
<td>Estonia</td>
<td>12.8</td>
<td>7.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>8.7</td>
<td>7.9</td>
<td>Lithuania</td>
<td>16.4</td>
<td>8.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>18.8</td>
<td>16.3</td>
<td>Latvia</td>
<td>13.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>6.4</td>
<td>7.2</td>
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</table>

Source: Eurostat (2006)
There have evolved labor market policies compatible with the market economy in the region. Nevertheless, there are sharp differences both in financial resources and disposable labour market services compared to the EU15 average.

### Table 3. Public Expenditure on Labor Market Policy

<table>
<thead>
<tr>
<th>Country</th>
<th>Public expenditure on labor market policy measures, % of GDP, 2004</th>
<th>Expenditure on active employment policies, % of all public labor market policies expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 15</td>
<td>2.11</td>
<td>30.5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.39</td>
<td>34.0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.39</td>
<td>18.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.59</td>
<td>35.3</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.23</td>
<td>19.0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.26</td>
<td>58.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.46</td>
<td>18.3</td>
</tr>
</tbody>
</table>

Source: Eurostat (2006)

### 3-2. Social Inequalities and Poverty

The general consequence of the post-1989 political and economic changes for the people in all New Member States has been the improvement of the standard of living for some and stagnation or deterioration for many others. The differences between the lower and upper strata increased rapidly. “Income inequality in the region at the end of the communist period was low compared to that in most of the OECD. By the late 1990s, the average value of the Gini coefficient in Central and Eastern European and Baltic states had risen to about the average OECD level.” (UNICEF 2001) **The inequalities have risen more rapidly in the Baltic States; Poland followed suit.**
The transition has been accompanied by a serious increase of poverty (Orenstein and Haas 2002). The number of people living in poverty has risen very much especially in some countries of the region. From the New Member States, 26% of the Hungarians, 16.8% Latvians, 16.4% Lithuanians, 13.6% Poles, 10.1% of the Slovaks, 8.9% Estonians, and 8% Slovenians are reported to live below the national poverty line in the beginning of this decade (Study 2002). The same study speaks about 8.3% of the Latvians, 7.8% of the Lithuanians, 7.3% of the Hungarians and 5.2 % of the Estonians living on less than 2 USD per day. (Corresponding figures are less than 2% for the rest of the group.) With the exception of the Czech Republic and Slovakia, there has been no attempt to define an adequate subsistence minimum. In Slovakia, the government decided to reduce the minimal provisions considerably in the beginning of 2003. In Poland the rules of eligibility are so strict as to leave out the majority of the poor (Barr 1999, quoted by Ferge 2001).
The official EU statistics also confirm a considerable proportion of the population in the region living in the risk of poverty.

Table 6. At-risk-of-poverty Rate after Social Transfers

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<tbody>
<tr>
<td>EU 15</td>
<td>15</td>
<td>15</td>
<td>Poland</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Slovenia</td>
<td>11</td>
<td>10</td>
<td>Estonia</td>
<td>18</td>
<td>18</td>
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<tr>
<td>Czech Republic</td>
<td>8</td>
<td>8</td>
<td>Lithuania</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>Slovakia</td>
<td>N/A</td>
<td>21</td>
<td>Latvia</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Hungary</td>
<td>11</td>
<td>12</td>
<td></td>
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</tbody>
</table>

Source: Eurostat (2006)
Note: The share of persons with equivalized disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalized disposable income (after social transfers).

As in most other countries, children are more vulnerable than the rest of the population. There are only two countries in the region which do not show signs of extreme forms of child poverty: Slovenia and the Czech Republic.

Table 7. Children Aged 0-15 Living in Absolute Poverty (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>2.15 USD a day or less</th>
<th>4.30 USD a day or less</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>1997/8</td>
<td>0.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1996</td>
<td>0.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>1997</td>
<td>2.4</td>
<td>28.8</td>
</tr>
<tr>
<td>Poland</td>
<td>1998</td>
<td>2.0</td>
<td>30.7</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1999</td>
<td>4.8</td>
<td>34.7</td>
</tr>
<tr>
<td>Latvia</td>
<td>1998</td>
<td>10.0</td>
<td>52.9</td>
</tr>
</tbody>
</table>

Source: UNICEF (2001)

In absolute terms, in Central European countries, about 330 thousand children, along with 110 thousand children in the Baltic States, lived on less than 2.15 USD a day.

Another group threatened by poverty in most Central and Eastern European countries are pensioners.
Table 8. Average Monthly Old Age Pension (in Euros)

<table>
<thead>
<tr>
<th>Country</th>
<th>2003</th>
<th>Poland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>420</td>
<td>Estonia</td>
<td>108</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>223</td>
<td>Lithuania</td>
<td>95</td>
</tr>
<tr>
<td>Slovakia</td>
<td>138</td>
<td>Latvia</td>
<td>94</td>
</tr>
<tr>
<td>Hungary</td>
<td>176</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The following table shows the level of economic difficulties of the New Member States population. The first index indicates the mean number of desirable items lacking out of the list of 7 durables: TV set, video recorder, telephone, dish washer, microwave oven, car (or van) and personal computer. The second and third indexes represent the proportion of the adult population admitting either solvency problems or inability to save money.

Table 9. Mean Deprivation of the Population in the New Member States

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
<th>% of solvency problems</th>
<th>% not able to save</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 15</td>
<td>0.64</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.54</td>
<td>5.2</td>
<td>67.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.80</td>
<td>4.0</td>
<td>63.2</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1.29</td>
<td>7.3</td>
<td>72.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.37</td>
<td>14.3</td>
<td>87.5</td>
</tr>
<tr>
<td>Poland</td>
<td>1.52</td>
<td>11.3</td>
<td>86.1</td>
</tr>
<tr>
<td>Estonia</td>
<td>1.54</td>
<td>18.8</td>
<td>85.5</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1.79</td>
<td>21.7</td>
<td>84.0</td>
</tr>
<tr>
<td>Latvia</td>
<td>2.07</td>
<td>24.2</td>
<td>88.2</td>
</tr>
</tbody>
</table>


The incidence of income deprivation is considerably higher among unemployed and unskilled workers.
3.3. Accessibility of Social Welfare

Traditional forms of public support for families with children weakened during the transformation period. The price subsidies for children’s goods were abolished early in the 1990s. Access to creches and kindergartens was at least partially re-commodified. Family cash support dropped as well, with the important exception of Slovenia.

Table 10. Family Allowances as % of the Total Household Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>0.6</td>
<td>1.4</td>
<td>Hungary</td>
<td>8.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4.7</td>
<td>1.6</td>
<td>Poland</td>
<td>4.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Slovakia</td>
<td>6.4</td>
<td>4.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: UNICEF (2001)

There is a considerable gap between the Old and New Member States in terms of capacities and quality of institutionalized social care.

Table 11. Comparison of the Satisfaction with Social Services: Old versus New Member States (2003)

<table>
<thead>
<tr>
<th></th>
<th>Old Member States</th>
<th>All New Member States plus Turkey, Romania and Bulgaria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied (values 6 to 10 on the 10 point scale)</td>
<td>52 %</td>
<td>24 %</td>
</tr>
<tr>
<td>Not satisfied (values 1 to 5 on the 10 point scale)</td>
<td>43 %</td>
<td>74 %</td>
</tr>
</tbody>
</table>

Source: Alber (2003), own calculations

Only 4% of the adults in the present Member States report extra family responsibilities, compared to more than 28% of the respondents in the New Member States (Alber 2003, his own calculations). This is a striking difference, caused mainly by the underdeveloped institutional systems of care in all of the New Member States. As they are not excluded from the general trend of population aging, this gap is very visible especially in the insufficient care for the elderly. This situation represents an extraordinary burden for family carers. The insufficient
institutional capacities create a form of dependency, that burdens mostly women and, of course, they are in complicated way reflected in their normative preferences.

The situation in the New Member States in terms of quality of residential care for seniors is as follows: even if the situation is slowly improving in some countries (for sure in the Czech Republic), these facilities are generally understaffed, located in old, functionally defective buildings such as nunneries or castles; it is no exception for six or more people to share a single room. The quality of physical as well as psychological environment is poor, and many of these facilities resemble asylum homes. No doubt the preference of living in such an institution in case of disability or when one gets old is close to the bottom of the list of potential options, amounting to only 7 % even in the Czech Republic (Vidovičová and Rabušic 2003).

The introduction of the mandatory second tier of old age pension schemes run by the private pension funds represents a clear indicator of the success of re-commodification of social insurance schemes. The move in this direction in the region is considerable: Hungary introduced it in 1998, Poland in 1999, Latvia in 2001, Estonia in 2002 and Slovakia in 2003. In all cases, the existent public pay-as-you-go schemes (PAYG) are carving out – which may bring about the reduction of benefits in the future (Study 2002). It is worthy of mention that in Chile, the pioneering country launching the compulsory private co-insurance about thirty years ago, about 40% of the old age pensions provided by the private funds fall below the minimum pension level – and have to be subsidized by the state.

3-4. Health and the Health Care Services

The health status of the population of the New Member States, measured by the life expectancy at birth, has improved since the beginning of transformation. The only exception to this rule is the stagnation of this indicator for the male population in the Baltic States.
Table 12. Life Expectancy at Birth in the New Member States

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>76.7</td>
<td>79.3</td>
<td>(80.4)</td>
<td>68.8</td>
<td>71.8</td>
<td>(72.6)</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>75.4</td>
<td>78.2</td>
<td>79.0</td>
<td>68.1</td>
<td>71.4</td>
<td>72.6</td>
</tr>
<tr>
<td>Slovakia</td>
<td>75.2</td>
<td>77.2</td>
<td>77.8</td>
<td>66.8</td>
<td>69.0</td>
<td>70.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>73.8</td>
<td>75.2</td>
<td>76.9</td>
<td>65.4</td>
<td>66.4</td>
<td>68.6</td>
</tr>
<tr>
<td>Poland</td>
<td>75.5</td>
<td>77.2</td>
<td>79.2</td>
<td>66.7</td>
<td>68.2</td>
<td>70.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>74.7</td>
<td>76.3</td>
<td>(76.9)</td>
<td>65.7</td>
<td>65.5</td>
<td>(66.0)</td>
</tr>
<tr>
<td>Lithuania</td>
<td>76.3</td>
<td>76.9</td>
<td>77.8</td>
<td>66.9</td>
<td>66.4</td>
<td>66.4</td>
</tr>
<tr>
<td>Latvia</td>
<td>75.2</td>
<td>75.3</td>
<td>77.2</td>
<td>65.3</td>
<td>64.7</td>
<td>65.5</td>
</tr>
</tbody>
</table>


The weakening of the preventive dimension of health care, one of the few good features of the communist system, brought about a growing incidence of contagious diseases such as tuberculosis, in some countries. Latvia and Lithuania reported 2.5 times more newly registered cases, whereas Estonia registered 1.8 times more cases in 1999 compared to 1989. AIDS represents a permanent danger for countries such as Latvia even if the numbers of HIV-positive cases are still kept at a relatively low level.

“The public health funds operating now mostly as public insurance schemes severely limit the services they pay for. Many types of prevention, screening, and medical interventions, dentistry, and a long list of pharmaceuticals have been excluded from public funding.” (Ferge 2001)

This retrenchment policy is reflected in the higher level of dissatisfaction with the functioning of the health care system in the New Member States, compared to the Old ones.

Table 13. Comparison of the Satisfaction with Health Care System: Old versus New Member States (2003)

<table>
<thead>
<tr>
<th>Satisfaction</th>
<th>Old Member States</th>
<th>All New Member States plus Turkey, Romania and Bulgaria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very and fairly satisfied</td>
<td>56 %</td>
<td>32 %</td>
</tr>
<tr>
<td>Not at all and not very satisfied</td>
<td>42 %</td>
<td>67 %</td>
</tr>
</tbody>
</table>

Source: Alber (2003), own calculations
3-5. *Marginalized Ethnic Groups*

The Roma as an ethnic group have been especially hard hit by the consequences of economic and social transformation. With insufficient social and cultural capital, many of them were not able to find their way out of the changing living conditions. Low-skilled laborers were the first to be made redundant when the big state companies started to collapse. Public support began to shrink as well. The unemployment rates, bad health and housing conditions, schooling failures, rates of crime, all these socially handicapping or socially pathological phenomena are more concentrated with this particular ethnic group than with the majority population, in all New Member States. The Roma are the most frequent target of abuse and racially motivated attacks, particularly by other socially marginalized groups. (National 2003)

3-6. *Social and Health Expenditures*

Not surprisingly, the health and social public expenditures – in both the absolute and relative terms – are more modest in the New Member States, compared to the average figure of the 15 Old Member States.

| Table 14. Total Expenditure on Social Protection as % of GDP |
|--------------------|----|----|-------------------|----|----|
| EU 15              | 27.2| 28.3| Poland           | 20.1| 21.6|
| Slovenia           | 24.9| 24.6| Estonia          | 14.4| 13.4|
| Czech Republic     | 19.6| 20.1| Lithuania        | 15.8| 13.6|
| Slovakia           | 19.5| 18.4| Latvia           | 15.3| 13.4|
| Hungary            | 19.8| 21.4|                  |     |     |

Source: Eurostat (2006)

Note: Data for the Czech Republic differs from the data provided in Table 18 due to a different source of information.

There is sufficient empirical evidence to conclude that the health and social care systems in the New Member States do not have enough resources to enable policy makers to satisfy many of the needs of the population perceived by it as legitimate, and to adhere to the principle of universal access.
4. Case Study: The Czech Republic

In this part of the paper we shall concentrate on the analysis of the development of the post-communist Welfare State in the Czech Republic. By exploiting available theoretical frameworks (see parts 1 and 2) we complement the country’s previous comparative allocation by additional reflection of its historical, cultural, political and institutional roots, embodiments, and driving forces.

4-1. History

By far the most influential historical link can be traced back to Bismarck. The Czech Lands were significantly influenced by Bismarck’s conservative corporatist social policy model even before the First World War. The Czech-Slavic Social Democratic Party was founded as early as 1878. Since then, social democratic, radical socialist and later communist political movements have always been present in the political life of the country. In the period between the two world wars, Czechoslovak democracy put its stakes on the social dimension of individual and societal existence by advanced social legislation that became a pattern to follow for some other countries – namely Greece. The atrocious authoritarian behavior of the communist regime after the Second World War was, in the eyes of many citizens, partially compensated for by the delivery of core social services to everybody – and by the full (over)employment as a systemic functional feature of the centrally planned economy.

The pre-1989 Czechoslovakia was described by communist propaganda as a showcase example of a country with well-organized health and social services (even in the context of the Soviet bloc). The reason for the final collapse of communism was not so much the mediocre, technically outmoded quality and sometimes limited availability of social services as the sorry state of the economy, and the loss of its legitimacy due to the widening civilization gap between it and affluent Western democracies.

4-2. The Influence of the European Union (and Other International Players)

The EU’s role in shaping certain domestic policy fields, namely social policy, should not be overestimated; the obvious discrepancy be-
tween the Copenhagen Criteria of accession, covering a very limited part of the social welfare agenda and installed in 1993, and the Lisbon Strategy, stretched as an explicit and balanced public policy program for the candidate countries as late as in 2002 and politically and administratively executed only since 2004, has opened a considerable space for other, more active and influential international actors, namely the World Bank and International Monetary Fund governed by the Washington Consensus’ neo-liberal ideology of the 1990s (Potůček 2004). This institutional weakness created an acute socio-political tension: The Czech Republic and other New Member States entered the European Union with their health, social, and employment policies not developed enough to cope with the legitimate demands of this strategic policy document. There is the urgent need to solve the discrepancy between the enormous public tasks of high employment, capacity building in health and social services, alleviation of poverty, and strengthening social cohesion in it (and other New Member States), with their insufficient social, economic, and administrative implementation capacities.

The situation has been slowly changing since the start of this century: the European Union has helped with pushing the social policy issues higher on the political agenda ladder, with institution building, and with the transfer of skills and money from the old Member States. The Open method of coordination (OMC) has become the main instrument of “Europeanization” of Czech social policy.

Its application began with the annual elaboration and implementation of the National Employment Action Plans, guided by the European Employment Strategy at the end of the 1990s. (MoLSA 2004b) Inspired by and consulted on with the Commission, and in applying various schemes proved to be effective in other countries, this EU activity represents an added value – even though the country, along with the other Member States, is still facing an unacceptably high level of unemployment.

In 2002 the European Commission asked all the candidate countries’ governments to elaborate Joint Inclusion Memoranda in order to identify the key problems and policy measures to combat poverty and social exclusion. The agenda of social inclusion was formally set with the preparation and approval of this document by the representatives of the European Commission and the Czech Government in 2004 (MoLSA
The preparation and approval of the National Action Plan on Social Inclusion 2004–2006 followed suit (MoLSA 2005). The document sums up other applicable and prepared policies, action plans, strategies, programmes and governmental decrees that have some relevance to the issue of social inclusion. The soft spot of the document is the lack of explicit goals, a poorly defined responsibility for implementation, and missing links to the budgetary process. Significantly, the Ministry of Finance laid out on the whole preparatory process. (Potůček 2006)

In terms of technique and procedure, the Czech Republic has had no problems with the application of the OMC. The serious problem lies not within the formal application but rather within the administrative and political context in which it is being applied. To cut the long story short:

(1) The Czech public administration does not possess specific organizational structures that would have the capacity to deal with strategic issues.

(2) Czech civil servants are not trained and experienced in dealing with strategic issues in their professional life.

(3) Czech political leaders in general do not appreciate the importance of strategic thinking and decision making for the realization of their political missions.

Thus, the state of preparation and implementation of the national programmatic documents’ standards was not advanced, either: poorly defined goals and responsibilities, lack of programme evaluation, poor inter-sectoral coordination, and missing links to budgetary resources make enough room for further improvements. (Atkinson, Cantillon, Marlier and Nolan 2005)

As a result, the real impact of OMC in governance at the national level owed a lot to its potential influence. In other words, operative and tactical tasks, short term interests, lack of time and professional blindness severely limit the effects of OMC’s application. At the same time, clear positive effects can be recognized in raising the level of general awareness of civil servants about the EU problems.
4-3. Public Discourse about Social Policy

The tripartite institution – the Council of Economic and Social Agreement – was established in October 1990. This voluntary agreement between the government, Trade Unions, and associations of entrepreneurs enabled the representatives of labour and the business sector to become respected partners of the government, and the tripartite system is deeply rooted in the political fabric of the Czech state.

However, the Czech Republic still has a long way to go to become a consensual democracy on the West European model, which would require governmental measures to encourage the results of public policy discussion to be widely published, presented, and discussed by all who will be affected by it. The government is still the most powerful decision-maker on social policy issues.

There are signals that the Social Democratic-led governments were more apt to initiate and/or follow public discussions. Pars pro toto: The Ministry of Labor and Social Affairs introduced a new form of communication, called ”Social Conferences” at the end of the 20th century. NGO representatives, experts and civil servants discussed important issues (such as the regulatory rules for social assistance) there before the Ministry and/or the government took the final decision.

Many social actors were actively involved in the preparation of EU-inspired programmatic documents such as the National Employment Action Plans or the National Action Plan on Social Inclusion.

An interesting example of the original national initiative was the elaboration of the Social Doctrine of the Czech Republic. (Sociální 2002) Its aim was to build a broad national consensus concerning the future orientation, goals, priorities and suitable instruments of Czech social policy. Five preparatory conferences in 1998–2000 were a “joint venture” of the academic community concentrated around the non-profit Socioklub, the Ministry of Labor and Social Affairs and the Senate (the upper house of the Czech Parliament).

The document was mentioned in the policy statement of the ruling coalition parties in July 2002 as the starting point for the further development of the government’s social policy and its priorities and approaches for the period until 2006. Nevertheless, until its resignation in 2004 the government failed to find sufficient capacity and motivation for conse-
sequent steps: real social policy decisions mostly stemmed from either urgent problems or articulated strong demands of various pressure groups.

4-4. Phases of Welfare State Development

Three phases of social policy development can be identified according to the prevailing political tasks and priorities of the given period in the Czech Republic.

First phase: Designing new institutions (December 1989 – June 1992)

From the very beginning, the conceptual foundations of pending reforms were discussed and clarified and some of the social privileges previously claimed by the communist establishment were eliminated. Miscellaneous volunteer initiative groups intensively prepared reform plans for various spheres of social policy. Social policy was developed and legislated on both the federal (Czechoslovak) level (Federal Ministry of Labor and Social Affairs) and national level (Ministry of Labor and Social Affairs of the Czech Republic). Although cooperation between the two ministries was not always ideal, from a political standpoint their position and those of the respective governments were always compatible. The work of these ministries could be characterized as an effort to systematically replace state paternalism by introducing more resilient and decentralized mechanisms that would be compatible with ongoing economic reforms. These mechanisms were to be beholden to the regulative and executive powers of the State only where necessary. From the standpoint of the governments’ prevailing political philosophy, this approach was a combination of socio-liberal and social democratic philosophies.

The “Scenario of Social Reform,” drafted and adopted on the federal government level, was influenced by social democratic and social liberal ideologies and became the fundamental conceptual document for the reform of social sector. A plan to create a universal and unified system of social welfare was adopted which would offer universal compulsory health and social insurance (complemented by voluntary supplementary insurance for individuals or groups), and means-tested state social assistance on condition that all alternate possibilities of welfare and assistance have been exhausted, or in the event of a citizen’s inability to provide for him- or herself.
The Czech social policy reform was based on three basic components: first, active employment policy; second, liberalization and pluralization of social welfare based on a Bismarck-inspired insurance system that has been deeply rooted in the modern history of the country since the end of the 19th century; and third, the development of a social safety net for people in need.


Due to political changes at the time, the neo-liberal policy, characterized by placing the most emphasis on economic reform, a declared and even legislated effort to limit the role and spending powers of the government in the sphere of social security, and mistrust of the intermediary role of civil society institutions in forming and implementing social policy, gained favor in the Czech Republic. This political agenda, carried by the Civic Democratic Party, was somewhat modified within the coalition framework by the parties that prioritized a solution which would leave more room for state intervention (the Christian Democratic Union – Czech People’s Party, KDU-CSL) and to the activities of civil society institutions (the Civic Democratic Alliance, ODA). Therefore, the prevailing governmental political philosophy was a blend of neo-liberalism and conservatism. The government was not enthusiastic about joining the EU so that there were considerable gaps in the EU accession effort of the country, as was reflected in the annual reports of the European Commission.

The Czech governments of 1992–1998, with their mixture of neo-liberal and conservative rhetoric, reserved attitudes towards EU enlargement, and centralist and etatist practical social policy, faced the problem of finding a way out from this blind alley. Their solution was to fill the institutional categories created at the start of transformation with a rather different content, or leave them empty, as happened to the proposed corporate Social Insurance Fund. As a result, many social policy institutions were pluralistic and corporatist in theory, but in practice the state preserved much of its previous power (e.g. the compulsory social insurance sector). Targeted, means-tested residual schemes were introduced in some instances (namely the child allowances in 1995). This tendency, coupled with the drop in real incomes of the majority of the population
and abolishing most of price and in-kind subsidies, weakened the existing resources and social position of especially the social strata in the middle of socio-economic ladder. The Czech neo-liberal and conservative governments neglected conceptual work and practical orientation toward long-term goals, especially preventive social policies.


The parliamentary elections in June 1998, resulted in the formation of minority government of the Czech Social Democratic Party (CSSD) in 1998–2002. Its symbolical victory over the Thatcherite political resentments of the previous cabinets of Václav Klaus led to the acceptance of the European Social Charter by the Czech Parliament in the spring of 1999. The new government based its policy on a pro-active program of civic participation and education, and announced the need to create a long-term vision for the country. The core of the government policy was the idea of socially and environmentally orientated market economy. All citizens were offered equal access to education, employment, and civil and personal self-determination. This was in sharp contrast with the more or less residual social policy accents implemented by the previous governments. However, the implementation of such government program was seriously threatened by budgetary constraints caused by the acute fiscal problems of the country, the legislative delays caused by the minority position of the government, the insufficient implementation capacity of the State, and the long-drawn-out reform of public administration.

The next general elections in 2002 returned the Social Democrats to power. They established a coalition government along with the Christian Democrats (KDU-ČSL) and the small liberal Union of Freedom (US). They operated with only a marginal (one seat – 101: 99) majority in Parliament. In domestic policy issues, compromises of the Social Democratic, Christian Democratic and liberal concepts and approaches had to be sought and found. Most of the outcomes of such difficult negotiations remind us of the well-known recommendations from Tony Blair’s Britain: without draconic retrenchments, but, at the same time, without offensive social policies aiming at the eradicating (or alleviation) of the
most persistent social problems. The Czech government developed a clearly pro-European policy and speeded up the EU-accession preparatory process.

4-5. Outcomes

Profound changes took place in all important facets of social policymaking in the Czech Republic.

Social Protection Policy and Poverty

Social Security Policy after 1989

A universal and uniform system of social security was to become the core of the state’s social policy. After the victory of neo-liberal and conservative political parties in the 1992 elections, liberal and residual tendencies began to be asserted more forcefully in this field. The conception of social reform began to impose limitations on the social security policy – and in this framework crystallized the conception of its three tiers or “pillars”: first, compulsory public social insurance, reacting to foreseeable situations in a citizen’s life, following the pay-as-you-go principle; second, state social support, reacting to unforeseeable social events, financed from the general taxation; third, social assistance built on the principle of aid to citizens who find themselves in an emergency situation, co-financed by central and local authorities, non-profit organizations and clients themselves.

Compulsory social insurance

Bills were passed enabling the transformation to a new structure of social insurance in 1992. Social insurance was to be compulsory, contributors to the Social Insurance Fund being employees (paying up to 8% of the gross income, 1.1% of which goes toward the sickness insurance scheme, 6.5% to the old-age pension scheme, and 0.4% to the state employment policy), employers (paying up to 26% of the gross income of their employees, 3.3% of which accounts for the sickness insurance scheme, 21.5% for the pensions scheme, and 1.2% for the state employment policy), and the state, which pays the insurance contribution for children, pensioners, parents on maternity or paternity leave, the unemployed, the disabled, soldiers and prisoners. In the case of self-employed
persons it is 34% of an amount they fix themselves, but not less than 50% of the income from self-employment after the deduction of costs expended in its achievement, insurance and maintenance, and it cannot be lower than 25% of the average wage.

Social insurance contributions cover old-age pensions, disability pensions, widow’s and orphan’s pensions, sickness contributions, contributions for the treatment of a family member, contributions to the state employment policy, and administration costs.

In 1995 there was a significant legislative change in the framework of the compulsory structure of social insurance with the passing of a new law on old-age pensions. An increase in the statutory retirement age limit was approved to be introduced incrementally up until 2007. The statutory retirement age for women, originally 53–57, was raised to 57–61 (the actual limit depends on the number of children), while for men it rose from 60 to 62. Another move was made in 2003, when the retirement age was further raised to 63 for men and women without children. These age limits be reached in 2016 (men) and 2019 (women). The law on base pension insurance conceives the old-age pension as consisting of two-components made up of a fixed amount paid to all and one that is dependent on the number of years worked and the working income received; the law is based on the principle of substantial redistribution of accumulated finances towards persons with a lower level of earnings. Old-age pensions for persons with higher working incomes are affected by a regressively acting calculation formula. The proportion of the average old-age pension to the average net wage decreased to 52.8% in 2005 compared to 66% in 1990. The proportion of the average old-age pension to the average gross wage decreased correspondingly – to 41.1% in 2005 compared to 52.7% in 1990. The average public old-age pension made 7728 CZK per month in 2005 (approx. 350 USD). It is supposed that a proportion of the gross wage will drop by the year 2010 to 38% and in 2015 to 35%. Thus the conservative-liberal government managed to set down a very residual conception of old-age insurance that differs considerably from the Continental practice and does not rule out the possibility of the pension falling below the subsistence level. Moreover, it is a system the conditions of which as well as the management of collected resources are fully in the hands of the Ministry of Finance instead of the
originally envisaged independent public corporation – a Social Insurance Fund.

The public sector of compulsory social insurance is completely dominant in the Czech system of old-age pension insurance. However, additional voluntary private pension insurance, based on individual contract between the citizen and the insurance company, introduced in 1994, is attracting ever more clients. The state supports participation in it through the provision of state subsidy and an income tax allowance for participants. If the participant does agree, his or her employer may pay the contribution on their behalf. If the concept of drop in the ratio of old-age pension paid within the public system to the average wage comes about, the more richer groups of population will be forced to make more use of the private sector in order to have their old-age pensions increased.

Since 1995 there has been a public discussion going on concerning a reform of the whole concept of the old-age pension system. It was initiated by experts from international financial institutions, especially the International Monetary Fund and the World Bank, who strongly recommended that the country opt for compulsory private co-insurance. This new type of old age insurance would complement the pay-as-you-go public scheme that would gradually lose its importance in the total amount of redistributed resources. It was argued that this change would be inevitable due to demographic trends (aging of the population) and the demand for investment in the national economy that would be satisfied by the newly established and privately run for-profit pension funds. In contrast to Hungary (1998), Poland (1999), and recently Slovakia (2005), which have introduced this model, the Czech Republic resisted the pressure. There were two main factors that could explain this significant difference:

(1) The country was not in as deep a fiscal crisis as the other central and eastern European countries and was less dependent on loans provided by these organizations;
(2) There were strong political opponents of this idea, namely the consecutive Social Democrat-led governments and trade unions that stressed the risks of such reform due to the fragility of financial
markets and institutions and the huge demand for additional financial inputs during a couple of decades after such a reform is introduced.

Early into the 21st century, the discussion about the pension reform is going on. Neoliberal theorists, right-wing politicians and representatives of financial market institutions support the idea of compulsory private co-insurance, whereas the institutionalists, left-wing politicians and trade unions favor voluntary non-profit co-insurance schemes (with the financial contribution of both the employees and employers).

A draft of the principles of pension reform has been prepared by a task force established by the government and composed of representatives of the gamut of political parties, experts and civil servants, in 2005–2006. It suggested further reforms of the statutory pension including an increase of the retirement age, the creation of a reserve fund and further development of voluntary private pensions. However, this document was not approved by Parliament.

State social support
This system of social support was introduced in 1995. All benefits are defined as the fixed multiple of the subsistence minimum level and are paid from general taxation.

Means-tested benefits subsume child allowance (paid up to the age of 26 if the child is training for a future occupation), social contribution (to low-income individuals and families), housing benefit, and transport benefit (for children training for their occupation away from their permanent place of residence).

Categorical benefits (provided without regard to income) comprise parental allowance (paid to a parent looking after a child up to four years old), maintenance contribution (for the family of a conscript on duty or alternatively in civil service), benefit for foster-parent care, birth allowance, and burial benefit.

One of the most important system changes was the method by which benefits are awarded to children. Up to 1995 child allowance was paid to all families with dependent children without regard to their income. The State Social Support Act introduced a new means-tested method tied to
the family income not exceeding three times the subsistence minimum. In the period of 1998–2006 the Social Democrat-led governments wanted to switch back to universal (categorical) child allowance, but were unable to re-introduce that because of political resistance of the coalition parties, the opposition and the fiscal constrains. The real purchasing value of child allowances and tax credits have been considerably decreasing since 1989 (see Tables 10 and 15).

**Table 15. Drop in Public Support for Families with Children (child allowances and tax credits), Czech Republic, 1989–2002**

<table>
<thead>
<tr>
<th>Type of family</th>
<th>Drop in public support in 2002 (compared to 100% in 1989)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family with 1 or 2 dependent children</td>
<td>27%</td>
</tr>
<tr>
<td>Family with 3 children</td>
<td>35%</td>
</tr>
<tr>
<td>Single parent family with 1 child</td>
<td>45%</td>
</tr>
</tbody>
</table>


**Social assistance**

The structure of social assistance is conceived as a “lifeline” to those who are no longer able to help themselves, have no claim to benefits in the framework of the social insurance and state social support structures, or these benefits are not enough to sustain them at least the level officially set as the subsistence minimum. Social aid is provided in cash or in kind or both.

The new laws began to influence the living conditions of people in need in the early 1990s, namely the Subsistence Level Act and the Social Need Act (which was amended several times). They included the obligation of the state to guarantee all citizens that their standard of living would not fall below the official subsistence minimum, and to make up the difference between the actual income of an individual or family and this limit on condition that they themselves cannot increase this income by their own endeavor because of their age, state of health or for other legitimate reasons. This act thus delineated a socially accepted poverty limit, establishing the right to receive state aid under certain circumstances. It is a scheme based on the individual assessment of total income,
property and social relations of the applicant. The defined subsistence minimum differs according to the age and structure of the household.

The law ordered the government to increase the subsistence level in accordance with the changing costs of living and to maintain the ratio between the level of subsistence minimum and the average income.

The Czech government’s concept of social assistance ensues from the principle of subsidiarity: the individual is responsible first, then the family, charities, the municipality, and the state comes last. After years of protracted preparation, the new Social Services Act is to take effect in January 2007. It delegates more responsibility to regional governments and gives the client a wider choice of service delivery (defined benefits will go to individuals instead of institutions).

Incidence of Poverty

The situation of full employment, large income leveling and relatively generous aid to families with children was reflected in the low percentage of truly poor people under socialism. Even though economic transformation has changed the economic situation of most individuals and households, the situation is kept under control, in part by making use of most varied socio-political measures such as the abovementioned introduction of the institutions of subsistence level, minimal wage, the adjustment of old-age pensions to inflation, and the payment of unemployment benefit.

The Ministry of Labor and Social Affairs is responsible for monitoring the occurrence and trends of poverty in the Czech Republic. The rate of poverty in the Czech Republic has remained relatively low. It is quite difficult to measure the extent of poverty in society. In the case of the Czech Republic the following indicators can be worked with:

(1) The officially set subsistence minimum limit. For a single-person household (including a single pensioner) it is CZK 4,420 (about 200 USD) per month, as from 01.01.2006. The minimal wage equals to CZK 7,955 (about 360 USD) per month as from 01.07.2006. According to the results of the “Social Situation of Households” survey by the Czech Statistical Office, implemented with the Eurostat regulation, the incomes of 3.4% of the households and 4.3% of the individuals were below the
subsidium minimum in 2001.

(2) The relative poverty indicator used by the European Union. Households find themselves in the poverty belt if their per capita income drops below 60% of the income median of an equivalent adult person, whereby the first adult is counted with a coefficient of 1, other adults with a coefficient of 0.7, and children with a coefficient of 0.5 (this is the previously mentioned adjusted household income). Below the above-defined poverty was 7.6% of the population in 1996 and 7.92% of the population in 2001 (MoLSA 2004a). The National Action Plan on Social Inclusion 2004–2006 (MoLSA 2005) has been elaborated under the auspices of the European Commission and the Czech Ministry of Labor and Social Affairs (see part 4.2).

The differentiating process regarding incomes of the population is an inevitable part of transformation. Two facts lie at the heart of the problems relating to this issue. First, the differentiation of incomes does not occur in line with an increase in the living standard of the majority of the population, as it is the norm in developed countries, but rather during a sensitive decrease of the average living standard and an absolute and relative shift of income to high income groups. Share of the richest quintile of the economically active population on the total sum of incomes increased from 30.9 % in 1988 to 37.8 % in 1996. In the same period, the ratio between the lowest and the highest household income decile increased from 2.6 to 3.2 in the Czech Republic. (Večerník 1997) Second, the criteria used as the base for differentiation are not accepted in most cases by society as being equitable. The most threatened groups of the adult population are the unemployed, the disabled, single parents and citizens with only elementary education. Families with dependent children in general and children in particular, also belong to the population groups which run a bigger risk of falling into poverty. Those most at risk, then, are families with unqualified workers and with dependent children. The winners of the changes are the members of the economic and political elite, those who have profited from privatization (either legally, or by stripping the assets of public and/or corporate funds into private hands) and the employees of multinational corporations whose Western-level salaries are many times higher than the average local wages.
Employment Policy and Unemployment

The Employment Act came into force at the start of 1991. The state employment policy, in accordance with this Act, is towards achieving a balance between supply and demand for labor, towards the productive utilization of human resources, and towards securing the rights of citizens to employment. This is interpreted as the right of those who want and are able to work and are actually engaged in the process of applying for work. These people have the right to procure employment in a suitable position, to the requalification necessary for their work, and to material security before starting employment and in the event of losing employment. A network of regional Labor Offices was created to administrate state employment policy in the regions. Besides locations in individual regional capitals, branch offices were established in the bigger regional towns. Their services were relatively easily accessible to job-seekers throughout the country.

The attention paid to active and passive employment policy has fluctuated significantly over the years according to the political orientation of the consecutive governments, with the right-wing orientation more in favor of passive policies, and the left-wing orientation supporting active employment policies.

Table 16. Expenses for active employment policy as the percentage of all expenses on employment policy, Czech Republic, 1991–2004

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>31</td>
<td>55</td>
<td>35</td>
<td>28</td>
<td>26</td>
<td>21</td>
<td>14</td>
<td>18</td>
<td>25</td>
<td>37</td>
<td>43</td>
<td>44</td>
<td>N/A</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: MoLSA (2004a); Eurostat (2006)

Employment policy is financed by contributions from employers, employees and the state (on behalf of economically inactive citizens). The minority Social Democratic government launched (and Parliament accepted) the first National Programme of Employment in early 1999. The present National Employment Action Plan 2004–2006 (MoLSA 2004b) has been elaborated under the auspices of the European Commission and the Czech Ministry of Labor and Social Affairs (see par. 4.2).
The Development of Unemployment

Table 17. Unemployment Rate in the Czech Republic (in %), 1990–2005 (end of the year)

<table>
<thead>
<tr>
<th>Year</th>
<th>1990</th>
<th>...</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>0.7</td>
<td>...</td>
<td>6.5</td>
<td>8.7</td>
<td>8.8</td>
<td>8.1</td>
<td>7.3</td>
<td>7.8</td>
<td>8.3</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: RILSA (2006)

Note: Data gathered by the Czech Statistical Office on the basis of representative sample surveys of the population. These numbers show a systematic downward difference compared to data from the number of officially registered unemployed persons.

Unlike the other Central and Eastern European countries, the Czech Republic was able to keep unemployment very low up until 1997, especially due to the specific “Czech way” voucher privatization, that did not exert hard pressure on economic restructuring leading to higher productivity and efficiency of newly privatized enterprises. However, since the economic crisis in 1997, associated with devaluation of the local currency (Czech crown) and a series of bankruptcies of major banks and enterprises, unemployment has been rising quite steadily.

A specific problem of many countries is long-term unemployment, i.e. the proportion of those who have been unemployed for over 12 months. Their relatively small share that did not exceed 20% of all the unemployed up until 1996, has considerably risen since then to nearly 40% at the start of the 21st century. With people unemployed for between 6 to 12 months, the pool of the long-term unemployed represented 49% of all the unemployed, in 2003. The risk of the occurrence of long-term unemployment is higher for those who are more afflicted by unemployment as such: general workers, single mothers with children, the Roma and the handicapped. Detailed studies indicate that long-term unemployed in the Czech Republic does not yet show a strong tendency towards becoming an “underclass,” this being particularly absent in the rural areas. There is a considerable risk, however, that in the future there will emerge an uprooted underclass among the long-term unemployed Roma, the homeless, and the unskilled young people who have never worked.
**Family policy**

An explicit family policy was articulated and approved in the Czech Republic as late as in 2005. (MPSV 2005) Its stimuli were manifold: a chronically low fertility rate (about 1.2), ideological factors (Christian and Social Democrats as the government coalition partners), and the EU’s programmatic and political initiatives. Domestic factors were decisive, though.

**Health policy**

The Bismarck legacy in people’s minds shaped the reform of the Czech health services after 1989. Even though there were good reasons for the transformation of the over-institutionalized state-owned communist health care system into a more flexible National Health Service model, older professionals and the general public overwhelmingly preferred the system of compulsory health insurance financed by employees, employers, and the state. Employees contribute 4.5% of their earnings, employers 9% of total wage-bills, and self-employed 13.5% of their insurance basis (with the minimum set as 50% of average monthly wages in national economy). Decentralization of health care, the establishment of public Health Insurance Funds, the privatization of most practitioners and some (smaller) hospitals, and the modernization and improvement of care delivery followed suit. But the European Union’s impact on the progress of the Czech health care reform was very limited.

**Social expenditures**

One can identify only minor fluctuations. There is, though, a recognizable tendency of liberal and conservative governments up to 1998 to tighten total social security system expenses, and the inclination of the Social Democracy-led governments 1998–2006 (though not very successful) to be more generous. The overall trend has been surprisingly stable, with a slight increase over time but still well below the EU-15 average.

**4-6. Country Conclusions**

The Czech Republic does exhibit typical features of strong adherence to the continental, or even more specifically, Central European,
Table 18. Ratio of Social and Health System Expenditures to GDP, Czech Republic, 1990–2005

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions security benefits</td>
<td>7.3</td>
<td>7.4</td>
<td>7.6</td>
<td>7.3</td>
<td>7.2</td>
<td>7.3</td>
<td>7.6</td>
<td>8.1</td>
<td>8.2</td>
<td>8.5</td>
<td>8.5</td>
<td>8.5</td>
<td>8.6</td>
<td>8.6</td>
<td>8.1</td>
<td>8.2</td>
</tr>
<tr>
<td>Sickness and maternity benefits</td>
<td>1.4</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.4</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Unemployment and employment policies expenditures</td>
<td>0.0</td>
<td>0.3</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Family allowances (state social support system)</td>
<td>2.1</td>
<td>1.9</td>
<td>1.8</td>
<td>1.4</td>
<td>1.5</td>
<td>1.3</td>
<td>1.7</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
<td>1.2</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Social care benefits and social services system</td>
<td>0.9</td>
<td>0.6</td>
<td>0.8</td>
<td>0.8</td>
<td>1.0</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.1</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Others</td>
<td>1.4</td>
<td>2.7</td>
<td>1.8</td>
<td>1.3</td>
<td>0.9</td>
<td>0.5</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Administration expenditures</td>
<td>0.1</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Social security system expenditures – total</td>
<td>13.1</td>
<td>14.5</td>
<td>13.7</td>
<td>12.6</td>
<td>12.6</td>
<td>11.7</td>
<td>11.7</td>
<td>12.3</td>
<td>12.3</td>
<td>12.8</td>
<td>13.0</td>
<td>13.1</td>
<td>13.4</td>
<td>13.2</td>
<td>12.4</td>
<td>12.2</td>
</tr>
<tr>
<td>Health care system expenditures</td>
<td>4.8</td>
<td>5.2</td>
<td>5.4</td>
<td>7.2</td>
<td>7.3</td>
<td>6.9</td>
<td>6.7</td>
<td>6.8</td>
<td>6.8</td>
<td>6.7</td>
<td>7.0</td>
<td>7.1</td>
<td>7.5</td>
<td>7.2</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Social and health protection system – total</td>
<td>17.9</td>
<td>19.8</td>
<td>19.2</td>
<td>19.8</td>
<td>20.0</td>
<td>18.6</td>
<td>18.4</td>
<td>19.1</td>
<td>19.0</td>
<td>19.5</td>
<td>19.8</td>
<td>20.1</td>
<td>20.5</td>
<td>20.7</td>
<td>19.6</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Source: RILSA (2006)

Note: Data for the Czech Republic differ from the data provided by Table 14 due to a different source of information.
Bismarckian, corporativist, achievement-type Welfare State. It stems from its modern history and has been revitalized even after more than four decades of etatist bureaucratic collectivism (Deacon 1993). It has an ideological footing in the considerable tradition of social thinking (Tomáš Garrigue Masaryk, Karel Engliš and others), in an old tradition of Social Democratic movement (the Czech Social Democratic Party was founded as early as 1878 and was able to survive in exile throughout Communist rule) and in the prevailing egalitarian mood of the public. It has much in common with the neighboring German and Austrian Welfare States (including the institutional and attitudinal resistance to change) – despite the increasing incidence of residual elements in the whole system of welfare that could be attributed to a mixture of external pressures and internal decisions that stem from the neoliberal conception of social policy making.

We can derive this hypothesis from the study of the recent developments of social security institutions and schemes of delivery, labour market policies, and health care. We may also underpin it by analysis of welfare expenditures, which have fluctuated only slightly up and down in accordance with the ideology of political formation actually in power (see Table 18). It should be mentioned, that due to the proportional electoral system, the Czech governments are generally weak and unable to design and push through any “radical” reform.

External factors shaped the nature of the Czech Welfare State as well, albeit in much lesser extent. The most influential has been the impact of economic globalization, associated with the formation of the country’s open market economy that is extremely dependent on foreign trade and an effective integration into the world economy.

The requirements executed and the support provided by the European Union has been important especially in institution capacity building: they will have a long-term positive impact on the structure and quality of social policies and services.

Conclusion

Referring back to the theoretical concepts allowing for better understanding of Welfare States development in the processes of macro-social transformations, the relevance of the regulatory triangle market-state-
civic sector comes to the forefront. The end of communism was characterized by an underdeveloped and skewed market, ill-functioning and misused state, and very weak civic sector. The years to come brought about the maturation of the market, still fragile, badly performing and weak states, and recovering, but not very influential civic sector. This all has happened in the period when, on the wave of neo-liberal Washington Consensus rhetoric, economic globalization, supported by leading international organizations such as the World Bank and the International Monetary Fund, became the most influential factor of the whole post-communist world. The European Union has not developed strong, clear cut requirements in the field of social policy making toward its candidate countries (Potůček 2004; Horibayashi 2006), even if Orenstein and Haas (2003) could identify its positive effect on the post-communist New Member States compared to post-communist countries without immediate perspective of joining the EU.

Thus, theories of globalization, along with state-centric theories, seem to bring conceptualization offering a lot in better understanding of all these processes. But they are not at all the exhaustive inspiration: the propensities of national economies, societies, and namely people to absorb the transformation shocks and to adapt themselves to radically changed conditions should complement the picture.

At a general level, I agree with Aidukaite (2004: 42), that all post-communist Welfare States represent a very special mixture of conservative corporatist and liberal regime types. I would add – with a flavor of limited universalistic elements as well.

The preliminary allocation of Central and Eastern European countries’ welfare states under scrutiny suggests the two continua: one reflecting accessibility and quality of social and health welfare, and the second employment and labour market performance.

Table 19. The Allocation of New Member States as for the Accessibility and Quality of Their Social and Health Welfare

<table>
<thead>
<tr>
<th>Conservative corporatist WS</th>
<th>Residual liberal WS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>Czech Republic</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Hungary</td>
</tr>
<tr>
<td>Hungary</td>
<td>Poland</td>
</tr>
<tr>
<td>Poland</td>
<td>Slovakia</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Estonia</td>
</tr>
<tr>
<td>Estonia</td>
<td>Lithuania</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Latvia</td>
</tr>
</tbody>
</table>
Labor markets adapting to the open market economy | Labor markets with major structural problems
---|---
Slovenia | Czech Republic | Hungary | Poland | Slovakia | Estonia | Lithuania | Latvia

Slovenia is the country that most resembles the traditional Western European Continental model. The Czech Republic follows suit with universal access to core social and health services and universal access to subsistence minimum but with less generous social welfare and more targeting in less vital areas. Hungary and Poland grapple with major difficulties and combine universal access in some fields with residual restrictive approach in others. Slovakia has made access to social welfare very tough and conditional at the beginning of the 21st century so that its switch from continental model toward residualism in several areas pushed it further to residual liberal welfare state as we see it in all three Baltic States. They, on the other hand, have been, contrary to Poland, Hungary and Slovakia, able to preserve relatively high employment rates at a more flexible labor market with a capacity comparable to the EU 15 average.

Is there a newly emerging Post-communist Welfare State in Europe? Cerami (2005) suggests the emergence of a peculiar Eastern European model of solidarity coming from the fusion of pre-communist (Bismarck social insurance), communist (universalism, corporatism and egalitarianism) and post-communist (market-based schemes) characteristics. Aidukaite (2004) sees strong evidence in favor of identifying the post-socialist regime type stemming from the territorial and political area of Baltic states.

Most of other authors oppose this idea. Rys (2001) suggests that there is no common tendency to converge welfare systems as they differ significantly according to the “national” conditions. Ferge (2001) assures that there is no unique ideal-typical label to describe these countries. Sengoku (2006) has difficulties in classifying the welfare system of the Central and Eastern European countries as a single variant of the European welfare model. For Horibayashi (2006) and Keune (2006), the
welfare system in Central Europe is still in the formation process and is too early to define its type.

Our analysis confirms these doubts. There is a broad variety of approaches and institutional frameworks in various Central and Eastern European states; in spite of some similarities, each country represents its own approach toward social welfare restructuring and further development. Even if one can expect the unifying pressure of the globalized market and common European Union policies, their harmonizing effects could be more visible only in the longer-term perspective.

The future development of Welfare States in Central and Eastern Europe will very much depend on the solution of the internal dilemma of an enlarged European Union: should priority be given the short-term economic efficiency or the longer-term (social) quality of life for all?

From the scholarly point of view, the processes of societal transformation in Central and Eastern Europe have been – and still are – a series of exciting natural experiments. As Esping-Andersen (1996: 267) has it: “East and Central Europe is clearly the most under-defined region, a virtual laboratory of experimentation.” Due to the low level of understanding of political advisors and decision makers what has been at stake, most Central and Eastern Europeans have less good reasons to enjoy them. Let us hope that social sciences may learn a lot from mistakes and blind avenues that have been associated with the trial-and-error strategies implemented here and there in the region.

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